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Thailand

Grain and Feed

Thailand-Vietnam Seek to Cooperate on Rice Prices 2009

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Report Highlights:

An effort is underway to pursue rice price cooperation with Vietnam and is expected to be rolled out at the upcoming 14th ASEAN Summit. Similar efforts in the name of stabilizing rice prices over the last decade have been ineffective. Present concern about price instability more likely reflects market distortion from an aggressive government intervention policy. Rice export prices will likely remain under pressure despite efforts on rice price cooperation.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Bangkok [TH1]
[TH]

Thailand has taken up another effort to pursue cooperation with Vietnam in order to stabilize rice export prices. In meetings on February 15-17, 2009, the Thai and Vietnamese Government agreed to propose a Memorandum of Understanding (MOU) on rice cooperation at the 14th ASEAN Summit (Association of Southeast Asian Nations) in Hua Hin, Thailand, February 27 – March 1, 2009. The cooperation is proposed to extend to rice production and trade, and focus particularly on rice export price stabilization. The joint committee, which is expected to include representatives from the governments at the minister level and the association of rice exporters and farmers, will be established at the next bilateral meeting in Vietnam after the ASEAN Summit.

Rice prices cooperation has been an ongoing effort of the Thai government under the Council on Rice Trade Cooperation (CRTC) since 2002 with leading rice exporting countries, including Vietnam, India, China, and Pakistan (TH2090). The most recent iteration includes the Organization of Rice Exporting Countries (OREC) in 2008 with the invitation to Burma and Cambodia ([TH8071](#)). However, the effort has failed to make progress on rice price stability. Only Vietnam and Thailand have actively cooperated in information and technology exchanges. Thai and Vietnamese private officials meet twice a year for information exchanges which are reportedly limited as both Thai and Vietnamese rice sectors are highly competitive.

Effective cooperation on rice prices is likely to remain illusive. Presently, Thailand's rice export prospects remain constrained as its intervention prices are much higher than world market prices. The government is holding record intervention stocks of approximately 6.0 million tons, of which 2.3 million tons are old-crop intervention stocks, and the balance are current MY2008/09 crops. Thai white rice quotations are nearly \$200/MT higher than Vietnamese rice. In the mean time, the Government is still investigating losses incurred last November by the previous government's stock release of white rice which were exported at prices close to Vietnamese rice prices. Also, the Government intends to continue its intervention program next month for the MY 2008/09 second crop with proposed intervention prices at no less than 10,000 baht/ton (\$280/MT) on farm which remains higher than market prices.

End of report